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C O N F I D E N T I A L SECTION 01 OF 02 LAGOS 002492

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E.O. 12958: DECL: 12/03/2009

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SUBJECT: MISSION COMMENTS ON OPIC INSURANCE FOR WAGP

REF: LAGOS 2274

Classified By: Consul General Brian L. Browne for Reasons 1.4 (D & E)

Summary

1. (C) This cable responds to OPIC requests for Mission comments on OPIC insurance for the West Africa Gas Pipeline project. Mission is not aware of any GON opposition to the WAGP project, and believes the project advances GON and USG goals. There could be some negative publicity generated by non-governmental organizations (NGOs) such as Friends of the Earth/Environmental Rights Action regarding the project. Local communities and landowners that feel threatened by the project may also voice opposition. In a country with a history of community and militia invasion and destruction of energy facilities, negative publicity regarding the project, whether well-founded or not, could be employed in a manner that increases the project's political risk. However, most Nigerians support or are benignly indifferent to the project. Greater engagement and information sharing with responsible Nigerian environmental NGOs and local communities could perhaps help reduce potential opposition to the project.

WAGP Supportive of GON's Fiscal and Environmental Goals

2. (C) Mission is responding to OPIC requests for comments on possible OPIC insurance to be issued to the West African Gas Pipeline Company Limited (WAPCo) for the construction of the West Africa Gas Pipeline project. (Note: U.S. firm Chevron Texaco Global Technology Services Company made the application to OPIC on behalf of WAPCo.) Mission notes that the GON fully supports the WAGP project, and in fact has a 25 percent equity stake in the project through the parastatal Nigerian National Petroleum Corporation. We are not aware of any widespread public opposition to the project, although one NGO described public sentiment towards the project as mixed. Mission is not aware of any negative impact on U.S. policy and interests of the country, nor concerns regarding the integrity of WAPCo. Mission believes WAGP supports Nigeria's stated economic and environmental goals in the gas sector. Mission is not aware of any uneconomic use of raw material or labor associated with WAGP, or adverse impact on the country's balance of payments. Mission is not aware of deleterious worker health and safety impacts to the project.

Possible Negative Publicity due to FOE/ERA Concerns

3. (C) There could be possible negative publicity generated by comments made by international NGO Friends of the Earth (FOE). FOE and its Nigerian affiliate, Environmental Rights Action (ERA), have commented negatively on WAGP's environmental impacts. The groups assert that:

- consultations on the environmental impact statement (EIA) report were flawed;
- public presentation of the EIA was not properly carried out, as stakeholders had no access to the report at designated display centers;
- the World Bank (WB) Extractive Industry Review restrains the WB from new investments in the extractive industries until areas of contention are resolved and corrective measures put in place;
- the project is unlikely to reduce gas flaring; and
- the project threatens the sovereignty of member countries.

WAPCo/Chevron Texaco believe that they have adequately responded to concerns raised by the groups.

Public Perception Can Generate Political Risk

14. (C) Regardless of the scientific facts concerning the environmental impact of WAGP, agitation by FOE/ERA and any resulting public perception of WAGP as environmentally or socially harmful could generate some political risk for the project. A local newspaper published a lengthy article in early November, re-iterating FOE/ERA charges against WAGP. Even a small group, whether politically disaffected or motivated by possible monetary gain, has the potential to disrupt WAGP construction or operations. Local communities that feel their existence or livelihoods may be threatened by the pipeline are also a concern. Agitated local communities have been known to impede production activity in the oil sector and to occupy oil facilities periodically. Similar actions can take place regarding a pipeline. Other possible risks include physical attacks on WAPCo personnel and physical infrastructure. Mission notes that companies operating in the Delta routinely receive extortionate letters demanding concessions to the local community, upon threat of kidnapping or physical violence. While WAGP will be constructed to the west of Lagos and outside of the volatile Delta region, the project, particularly during the construction phase of the project, has the potential to attract disaffected groups seeking private gain. As such, WAPCo could possibly be subject to some incidents of intimidation or threats of violence. In all likelihood, such action would be of a much lesser degree than in the Delta.

Court Case Moving Forward?

15. (U) Supported by ERA, two private individuals have reportedly filed suit in Federal High Court to invalidate the WAGP Environmental Impact Statement. Mission will report on the court case septel.

Comments from Other Environmental Groups

16. (C) The Nigerian Conservation Foundation has not yet commented on WAGP, maintaining they do not yet have sufficient information on the pipeline route to reach a conclusion on its impact. Nigerian NGO Friends of the Environment Chairwoman attended three stakeholder meetings on WAGP, and found community sentiment toward the project to be mixed. Given the potential gas flaring reduction benefits to WAGP, she believes the project should move forward, but did recommend the establishment of an independent monitoring group to ensure WAGP management met its obligations to local community groups.

Comment

17. (C) Mission believes that greater engagement and information sharing with Nigerian environmental NGOs would be a prudent course of action to counteract some of the negative publicity generated by FOE/ERA. While some environmental groups appear to be cautiously supportive of the project, others did not believe that they had sufficient information to render a final judgment on the project. Engaging those NGOs who are willing to evaluate WAGP on its technical and environmental merits, rather than as a political test case, could improve public perception of the project, and hence the project's political risk profile.

18. (U) This cable has been cleared by Embassy Abuja.
BROWNE